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Agenda Item 4

October 18, 2011

TO: MEMBERS OF THE HEALTH BENEFITS COMMITTEE

- I. **SUBJECT:** Catholic Healthcare West/Hill Physicians Pilot Update
- II. **PROGRAM:** Benefit Programs Policy and Planning
- III. **RECOMMENDATION:** Information
- IV. **ANALYSIS:**

The Catholic Healthcare West/Hills Physicians Pilot (CHW/Hill) project is an Integrated Health Care Model (IHM) in which health plan, hospital, and medical group incentives are aligned to drive continuous improvement in quality, service, and cost goals. This collaborative effort between CalPERS, Blue Shield of California (BSC), CHW and Hills was approved in April 2009, and implemented in January, 2010. Each party contributes to cost savings and is at risk for any variance from the targeted cost reduction. The pilot was implemented with the following goals:

- Develop CalPERS specific utilization management through coordinated operational infrastructure and clinical processes, in the areas of outpatient prior authorization processes and discharge planning, to reduce readmissions and Emergency Room (ER) visits.
- Eliminate unnecessary utilization and non-compliance through population health management. Address physician clinical and resource variation through quantitative analysis and targeted interventions for improved and standard levels of treatment.
- Reduce pharmacy costs and utilization through directed member outreach, drug purchasing and contracting strategies.
- Facilitate the rapid and efficient communication of patient medical information through Information Technology (IT) integration.

A phased approach to the two-year pilot was undertaken to introduce operational elements between 2010 and 2012.

Phase 1 (2010) The Launch of the Initial CHW/Hill IHM Pilot

The five strategies employed at the launch of the pilot included:

1. CalPERS-specific Utilization Management: includes enhanced-outpatient prior authorization to CHW facilities where cost is held steady by capitation, length of stay management using hospitalists, clinical protocols and cross-hospital standardization; integrated discharge planning and transition management, medical access planning to reduce readmission and ER visits.
2. Population Health Management: targeted chronic and complex care management, global palliative care, chronic case management, data collection process and integration.
3. Physician Practice Variation Management: ER utilization review, program development to reduce variation for knees/hips, bariatric surgeries and OB/GYN, and outpatient surgery redirection to CHW facilities.
4. Drug Cost Reduction Management: by increasing generic utilization and improved purchasing for high cost injectable specialty drugs through directed member outreach, drug purchasing and contracting strategies.
5. IT Integration Acceleration: increases in physician technology acceptance, master patient index development to support a common database, device and disease management registry integration and personal health records database development.

The IHM envisioned by this pilot also provided CalPERS a vehicle by which to explore/implement a number of other existing or contemplated initiatives in the areas of e-prescribing, medical home, and disease management innovation. CalPERS reduced its BSC 2010 rates by \$15 million as a result of projected savings under its financial risk-sharing arrangement.

2010 Preliminary Outcomes

Results show that CHW/Hill pilot project is exceeding the “best case” outcomes for 2010. For example:

- 34 percent increase in utilization of CHW facilities for outpatient surgeries where cost is held steady by capitation;
- 15 percent reduction in inpatient readmissions;
- 0.5 percent day reduction in Average Length of Stay for inpatient admissions;

- 15 percent reduction in inpatient days;
- 50 percent reduction in inpatient days per thousand of 20 or more days; and,
- \$15.5 million saved in 2010 health plan rates.

Phase 2 (2010-2011) Expansion of Pilot

Expand capabilities to meet strategies through continued development of:

- Readmission Team: Clinical team from all three organizations was formed composed of staff directly responsible for patient discharge planning and follow-up care. The team determines root cause of the readmission and develops a corrective action plan.
- Health Information Exchange: The partners created multiple channels for care providers to obtain clinical information – including an Electronic Health Record, physician portal and hospital portal. The Health Information Exchange supports the real time information sharing to both the physicians and care providers, which included the real time notification of ER visits, discharge summary to the Primary Care Physician (PCP), and case management information to inpatient case managers.
- Practice Variations: Hysterectomies, bariatric and elective knee surgeries are the biggest cost drivers in the region. Hill Physicians and CHW collaborated on alternatives, including evidence-based approaches to therapy and treatments that should be pursued before recommending surgery.
- Out-of-Network Services: There are high costs associated with patients going out-of-network for care. A repatriation program was implemented which identifies patients who present to out-of-network hospitals for emergency services and, if the patient is stable, safely transfers them to an in-network facility.
- Discharge Planning: Implemented changes to the discharge planning process including hospital teach-back for patients and caregivers; patient follow-up visits with their PCP within 8-10 days; welcome home calls; sharing of discharge plan with the primary care physician; and, timely ordering of durable equipment like wheelchairs and oxygen tanks prior to discharge.
- Population Management: A process was developed to stratify specific member risks to ensure more members are being actively managed in a disease/case management program (e.g., diabetes, COPD, asthma).

2010-2011 Expansions Outcomes

Due to the project's collective success in the Sacramento Region, BSC committed to expanding the IHM framework across the state:

- Approved funding for a new group within BSC's network management team that is solely responsible for the development of IHMs;
- Developed a pipeline of providers interested in working with BSC in their respective regions including: providers in Northern, Central, and Southern California;
- Planned further expansions for CalPERS in 2012; and
- \$5 million saved in 2011 health plan rates.

Phase 3 (2011-2012) Transformation of Delivery Models and Savings

As lessons were learned, the CHW/Hills pilot have garnered support and interest from other purchasers across the State. For CalPERS, BSC will expand its IHM offerings as follows:

- Two additional IHM programs will be activated in Orange and San Joaquin counties with a possible third location to be determined;
- An independent evaluation study of CHW/Hill pilot will be conducted by Glenn Melnick, Ph.D., University of Southern California (USC); and
- An additional \$12 million savings was built into 2012 rates.

Next Steps

CalPERS staff will continue to work with BSC to develop and expand the IHM and assist in the coordination of the planned evaluation of the CHW/Hill pilot by USC.

CalPERS staff will keep the Health Benefits Committee apprised of the progress and periodically report outcomes.

V. STRATEGIC GOALS:

This agenda item supports CalPERS Strategic Goal 12: "Engage and influence the healthcare marketplace to provide medical care that optimizes quality, access, and cost."

VI. RESULTS/COSTS:

This is an information item only.

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